

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-12 FRB-01 INR-07 IO-14 NEA-10 NSAE-00 USIA-15
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 USPS-01 /116 W
-----003599 231627Z /56

R 231409Z DEC 77
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 1781
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS

UNCLAS SECTION 1 OF 2 THE HAGUE 6430

USEEC ALSO FOR EMBASSY

USOECN ALSO FOR EMBASSY

E.O. 11652: NA
TAGS: EFIN NL
SUBJECT: PROPOSAL TO ESTABLISH GOVERNMENT-OWNED POSTBANK TO COMPETE
WITH COMMERCIAL BANKS

1. SUMMARY: NEW DUTCH GOVERNMENT IS EXPECTED TO LOOK LESS
FAVORABLY ON PENDING PROPOSAL BEFORE PARLIAMENT TO CREATE A
GOVERNMENT-OWNED POSTBANK TO COMPETE WITH PRIVATE COMMERCIAL
BANKS. NEVERTHELESS, BECAUSE OF POPULARITY OF PROPOSAL,
DUTCH BANKERS EXPECT POSTBANK EVENTUALLY WILL BE CREATED.
COMMERCIAL BANKERS DOUBT THAT A POSTBANK WOULD HAVE TECHNICAL
CAPACITY TO COMPETE VIGOROUSLY FOR MONTHS OR EVEN YEARS AFTER
ITS CREATION AND ALSO BELIEVE IT WOULD PROBABLY END UP
CARVING OUT A NICHE IN LOWER END OF BANKING MARKET. BUT
BANKERS REMAIN DISCOURAGED AT PROSPECT THAT THREAT OF GOVERN-
MENT COMPETITION WILL DEPRESS PROFIT POTENTIAL OF PRIVATE
BANKS. END SUMMARY.

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2. IN JULY 1977 THEN FINANCE MINISTER DUISENBERG AND
TRANSPORT STATE SECRETARY VAN HULTEN, WHO IS RESPONSIBLE
FOR THE POST, TELEPHONE, AND TELEGRAPH SERVICE (PTT),
SUBMITTED A BILL TO PARLIAMENT PROVIDING FOR MERGER OF
STATE POST OFFICE SAVINGS BANK (RPS) AND THE POSTAL GIRO
SYSTEM (PCGD) INTO A POST OFFICE BANK (POSTBANK). WITH
A COMBINED BALANCE SHEET TOTALING 24.5 BILLION GUILDERS

(1 DOLLAR NOW EQUALS 2.30 GUILDERS), POSTBANK WOULD BECOME FOURTH LARGEST BANK AFTER ALGEMENE BANK NEDERLAND (ABN) WITH A BALANCE SHEET TOTAL OF 55.9 BILLION GUILDERS, RABO BANK WITH 50.8 BILLION GUILDERS, AND AMSTERDAM-ROTTERDAM BANK (AMRO) WITH 50.4 BILLION GUILDERS.

3. IN EXPLANATORY NOTE TO DRAFT LAW, GON CONTENDED THAT DEVELOPMENTS IN DUTCH BANKING SECTOR HAVE LED TOWARD CONCENTRATION OF CONTROL AND DECISION MAKING AND THAT INTERVENTION WITHIN FRAMEWORK OF EXISTING LEGISLATION (THE CREDIT SYSTEM CONTROL ACT AND AMENDMENTS AS WELL AS THE ECONOMIC COMPETITION ACT AND THE PRICING ACT) IS INADEQUATE AND INEFFICIENT. AS A CONSEQUENCE, GON HELD THAT COMPETITION WOULD BE BETTER GUARANTEED BY RESTRUCTURING RPS AND PCGD INTO COMPETITIVE MARKET ENTITY AND CITED SUCCESS RPS AND PCGD HAVE ALREADY HAD OVER THE YEARS IN STIMULATING COMMERCIAL BANKING TO COMPETE MORE ACTIVELY IN THE MASS INDIVIDUAL SAVINGS ACCOUNT AND GIRO MARKET.

4. UNDER DRAFT BILL, POSTBANK WOULD HAVE A SEMI-AUTONOMOUS LEGAL STATUS SIMILAR TO THAT OF A LIMITED LIABILITY COMPANY (N.V.) AND BE SUBJECT TO BANKING, ECONOMIC, AND MONETARY CONTROL UNDER THE CREDIT SYSTEMS CONTROL ACT. (POSTAL UNION OPPOSITION TO THE LOSS OF EMPLOYEES' CIVIL SERVICE STATUS EFFECTIVELY BLOCKED SEVERANCE OF ALL POSTBANK LINKS TO THE GOVERNMENT.) DAY
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TO DAY OPERATIONS WOULD BE CARRIED OUT BY MANAGING AND SUPERVISORY BOARDS APPOINTED BY GON. POSTBANK WOULD BE HEADQUARTERED IN AMSTERDAM. BUSINESS WOULD BE CONDUCTED THROUGH FULL SYSTEM OF POST OFFICE BRANCHES THROUGHOUT NETHERLANDS WITH POSTBANK PAYING PTT A SPECIAL FEE FOR EACH POSTBANK TRANSACTION HANDLED BY POST OFFICE. SERVICES AVAILABLE IN LOCAL POST OFFICES WOULD BE AUTOMATED AS MUCH AS POSSIBLE. EVENTUALLY POSTBANK WOULD PLAN TO ESTABLISH PERHAPS 50 COMMUNITY OFFICES WHERE POST BANK SPECIALISTS WOULD BE AVAILABLE TO PROVIDE FINANCIAL COUNSELING BEYOND SCOPE OF POSTAL OUTLETS.

5. REACTION TO PROPOSED POSTBANK BY FEDERATION OF DUTCH INDUSTRIES (VNO) AND THE BANKING COMMUNITY HAS BEEN UNIFORMLY NEGATIVE. VNO CONTENDS GON'S MOTIVE IS MORE POLITICAL THAN ECONOMIC AND ARGUES THAT CREATION OF POSTBANK WOULD ESTABLISH DANGEROUS PRECEDENT RE ROLE OF GON AS AN

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R 231409Z DEC 77
FM AMEMBASSY THE HAGUE
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INFO AMEMBASSY BRUSSELS
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USEEC ALSO FOR EMBASSY

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ENTREPRENEUR SINCE FOR FIRST TIME GON WOULD BE ACTING
AS DIRECT COMPETITOR TO DUTCH COMMERCIAL BANKING
SECTOR DESPITE ABSENCE OF AN EMERGENCY SITUATION OR
OBVIOUS SERVICE GAPS. COMMERCIAL BANKERS ECHO THESE
CRITICISMS. THEY ARE WILLING TO GRANT REASONABLENESS
OR EVEN PRUDENCE FOR AMALGAMATING RPS AND PCGD SYSTEMS,
BUT THEY ARE SERIOUSLY WORRIED BY PLANS TO INJECT
GOVERNMENT-BACKED COMPETITION INTO MARKETS WHICH ARE
PRESENTLY EXCLUSIVELY PRIVATE. BANKS CITE FOUR UNFAIR
ADVANTAGES THEY SAY CURRENT POSTBANK PROPOSAL WOULD
GIVE POSTBANK COMPARED TO PRIVATE BANKS: (1) TAXATION
OF POSTBANK PROFITS WOULD BE AT A LOWER RATE, (2) THE
CIVIL SERVICE STATUS OF POSTBANK EMPLOYEES WILL FACILI-
TATE RECRUITING, (3) TRANSACTION CHARGE REIMBURSEMENT
ARRANGEMENT WITH PTT WOULD DRASTICALLY LOWER POSTBANK
OVERHEAD COSTS RELATIVE TO PRIVATE BANKS WHICH
MAINTAIN EXPENSIVE BRANCH OFFICES, AND (4) TECHNICAL
DEFINITION ACCORDED "SOLVENCY RATIO" AS IT APPLIES TO POSTBANK
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WOULD ENABLE IT TO LEAN OUT A HIGHER PERCENTAGE OF ITS
INVESTED CAPITAL THAN PRIVATE BANKS THEREBY INCREASING PROFIT
POTENTIAL. BANKERS FURTHER POINT OUT THAT PRESENT
PROPOSAL CASTS SUCH OFFICIALS AS MINISTER OF FINANCE

IN DUAL ROLES THUS RAISING POSSIBILITY OF CONFLICTS
BETWEEN RESPONSIBILITIES FOR POSTBANK AND ALSO FOR
CARRYING OUT SUCH ACTIVITIES AS MONETARY POLICY AND
BANK SAFETY.
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Disposition Approved on Date:
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